United Nations S/2000/586

Security Council

Distr.: General
16 June 2000
English
Original: French

Letter dated 14 June 2000 from the Permanent Representative of Portugal to the United Nations addressed to the Secretary-General

I have the honour to draw your attention to the Declaration of the Peace Implementation Council, issued on 25 May 2000 (see annex).

I should be grateful if you would have the text of this letter and its annex circulated as a document of the Security Council.

(*Signed*) António **Monteiro**
Permanent Representative of Portugal to the United Nations

00-48671 (E) 200600 200600

Annex to the letter dated 14 June 2000 from the Permanent Representative of Portugal to the United Nations addressed to the Secretary-General

Declaration of the Peace Implementation Council

We, the members of the Peace Implementation Council (PIC) and the leaders of Bosnia and Herzegovina (BiH), met in Brussels on 23/24 May 2000, to review progress in the implementation of the General Framework Agreement for Peace (GFAP) in BiH and to set priorities for a new accelerated phase of peace implementation. We reconfirm our strong commitment to the GFAP as the basis of freedom and democracy in BiH. The Council underscores that much has been accomplished and the building of the State of BiH has begun:

- The security situation has stabilised
- Major reconstruction is completed
- The return of refugees and displaced persons is accelerating
- The Brcko District is established
- Political pluralism as reflected in successive elections is gaining strength

These achievements are largely the result of intensive international efforts. The Council expresses its dissatisfaction with the slow pace of domestic peace implementation since its Madrid meeting in 1998. The responsibility for this insufficient progress lies squarely with obstructionist political parties and their allies, both within and outside of BiH. Narrow nationalistic and sectarian political interests have impeded everything from refugee returns to economic reform to the functioning of government institutions. The Council urges the High Representative to use his authority in accordance with his mandate to ensure full and accelerated implementation in all sectors of civilian implementation, including removing obstacles that stand in the way of economic reform.

We agreed on future steps to accelerate implementation of the GFAP in the period up to the next scheduled BiH presidential elections in 2002. We will focus on three key strategic areas:

- Deepening economic reform and creating the conditions for self-sustaining market-driven economic growth to avoid an economic crisis as BiH makes the transition from a donor dependent economy.

- Accelerating return of displaced persons and refugees with a particular emphasis on enabling citizens to exercise their property rights.

- Fostering functional and democratically accountable common institutions supported by an effective, merit-based civil service and a sound financial basis, based on the Rule of Law.

Since we last met, the Stability Pact and the EU's Stabilisation and Association Process have been established. The Council reaffirms its commitment to BiH integration into European structures and expects the officials and citizens of BiH to show the same commitment. As such the Council expects the authorities in BiH to meet the conditions set by the Council of Europe and by the EU for the Stabilisation and Association Process in its Road-map, including the adoption of an Election Law, and to play an active role in the Stability Pact. In this respect, the Council notes the importance of BiH's place within Euro-Atlantic structures.

The Council states its readiness to continue to assist BiH in this period through both a civilian and military presence. We welcome the continuing contribution of SFOR, including the Multinational Specialised Unit, to security and stability in BiH through, in particular, support for the return of displaced persons and refugees, support in combating corruption and organised crime and support to ICTY. The Council believes that SFOR's current degree of active engagement is essential to successful peace implementation.

We expect all authorities in BiH and relevant countries to co-operate with the ICTY fully and unambiguously in order to bring to justice all political or military leaders indicted for war crimes be they still holding office or not as well as all other indictees.

The Council notes the encouraging regional developments, in particular the election of a new government in Croatia committed to full implementation of the GFAP and regional co-operation. We expect the citizens of BiH to build on this, to continue to vote and work for changes, and step by step assume full ownership of their country's future. BiH must now do more for itself by itself.

1. Economic Reform

This year marks the end of the large-scale, post-war reconstruction period. BiH has been one of the most highly assisted countries in the world. The people of BiH are now in a decisive phase for accomplishing the reforms essential to long term self-sustaining stability. Major internationally financed reconstruction has taken place in the infrastructure sector, and has driven economic growth. As this assistance will decline significantly over the coming years, the economy of BiH faces the challenge of realising self-sustaining growth. In order to achieve this objective, the BiH authorities must accelerate substantially the pace of structural economic reforms in support of private sector led development. The Council urges donors to continue to condition their assistance upon the implementation of concrete and specific reforms.

The following economic reforms are critical:

- **Creating a single economic space**: BiH cannot afford a divided economic landscape. We call on the BiH authorities to enforce the constitutional provisions for an internal market and to maximise economic coordination between the State and the Entities and between the Entities. To increase efficiency and economies of scale, there should be a harmonised, country-wide approach in a number of areas, including: taxes, competition, public procurement, financial services, standards and regulations, banking, public utilities, electric power, telecommunications and transport/railways. The reform of the customs system must continue. These steps are

preconditions for BiH's integration into Europe. These reforms should become building blocks for a single economic space; all international community policies should support these reforms.

The Council accordingly calls on the High Representative to ensure rapid development of State-level regulatory mechanisms for telecommunications, energy, transport, and media and to ensure that there are no duplicative or conflicting regulatory competences at any level of government. Establishment of a functioning State Treasury during this year is essential to strengthen the financial basis of the State institutions. The Council calls on the State authorities, in consultation with the High Representative, to identify and establish adequate domestic funding sources for the State budget.

- **Enabling private sector growth**: To succeed economically and attract private capital to sustain growth, BiH needs an attractive business environment. Barriers to investment such as discriminatory utility fees, lack of clarity on land titles and cumbersome tax systems must be rapidly removed and the basic legal structures of a modern market economy instituted. The Council urges BiH authorities to remove promptly the barriers obstructing the development of the private sector and to establish simplified procedures for foreign and domestic investors. The Council urges the authorities to proceed with broad-based reform of the taxation and customs systems, labour legislation, the social security system, the banking system, the unaffordable military structures and the unsustainable governmental bureaucracy at all levels. The Council calls for adherence to the current timetable to dismantle the payment bureaux system completely by December 2000. The Council strongly supports immediate reform in the area of public utilities, with an emphasis on telecommunications and energy. It urges BiH to develop its digital and Internet technology capacities crucial for economic growth. It calls for the separation of economic and political powers through liberalisation and privatisation.

- **Privatisation**: A substantial number of publicly owned enterprises must be privatised expeditiously, and the process of privatisation must be seen to be transparent and in the interest of the citizens of BiH. The Council encourages greater emphasis be placed on tender privatisation that encourages the injection of new management and capital. Direct intervention by the High Representative may be necessary in strategic industries and in cases where the privatisation process is suspect. The Council welcomes the involvement of international experts, as necessary, to ensure that the privatisation process moves forward quickly and in the interest of the people of BiH. The OHR, via the Economic Task Force, will ensure co-ordination and monitoring of the privatisation process, in particular, through the International Advisory Group on Privatisation, and report to the Steering Board.

- **Fight against corruption**: The Council remains deeply concerned over ingrained corruption in BiH which undermines democratic governance, wastes public resources and hinders the development of the market economy. The OHR comprehensive Anti-corruption Strategy is the solid basis for the fight against corruption. All public officials are expected to give their active and unreserved support to this Strategy and to the institutions which are implementing it. The Council urges measures for improved

transparency in public budgets and institutional capacity-building required to end the systemic nature of corruption. The Council endorses the joint initiative of all parties represented in the BiH House of Representatives aimed at introducing a draft law on party financing without delay. We urge competent BiH authorities to regulate party financing and conflict of interests through legislation.

A self-sustainable market-orientated economy cannot be built in an environment where the principles of economic logic are overruled by the objectives of maintaining political control. Vestiges of the old economic system exemplified by the payment bureaux and the politically motivated allocation of real estate and other economic resources, must be eliminated.

During this crucial period of economic reform, co-ordination among the various international donors and agencies is especially important. The Council urges the BiH authorities to closely collaborate with the International Financial Institutions and other donors in the design and implementation of economic reforms. International Financial Institutions are encouraged to unequivocally apply conditionality. The Council recognises the crucial role that the High Representative plays in co-ordinating the international donor community's efforts for BiH and it supports the High Representative in the use of his mandate to remove obstacles that choke economic growth and deprive the citizens of jobs and a fruitful economic life.

2. The Return of Displaced Persons and Refugees

The return of refugees and displaced persons remains a real test of commitment to the peace process. The Council notes that significant progress has been made recently, particularly in rural areas. However, the clear will of citizens to return to their pre-war homes has not been matched by authorities at all levels, many of whom continue to lack the necessary political will and even obstruct returns because of their personal vested interest. The slow progress in urban return reflects unwillingness by all sides to implement property legislation and to enforce the legal rights of all citizens. Those continuing cases of occupation of contested properties by Bosnians prominent in public life are totally unacceptable; the Council urges the High Representative to take appropriate action against such individuals.

The Council endorses the four pillars of the Reconstruction and Return Task Force (RRTF) program to accelerate the pace of return and welcomes the proactive engagement of the High Representative in support of it.

- Combining the Property Legislation Implementation Plan (PLIP), which began with the harmonisation of property legislation in the two Entities with a vigorous drive by OHR, OSCE, UNHCR and UNMIBH to ensure respect for and understanding of individual rights to return and the establishment of the Rule of Law.

- Targeting increased efforts on housing reconstruction and infrastructure assistance, including low-cost self-help schemes, to breakthrough areas in support of both spontaneous and organised return movements.

- Increasing returns between BiH and Croatia using all appropriate

mechanisms, including the Stability Pact.

- Facilitating sustainable return through the careful targeting of appropriate donor activities, inter alia in fostering economic, educational and labour market opportunities for returnees and renewing efforts in demining.

In addition, the Council insists that the BiH authorities accept their personal responsibilities for accelerating the return process and welcomes the progress made by the RRTF in this regard.

The Council also welcomes the work done by OHR, UNHCR, CRPC and others on the reform of the property market in BiH. It urges all concerned to develop a detailed implementation plan for a real estate market, in the interest of all citizens of BiH and as a core requirement of a market economy.

3. Fostering and Consolidating Institutions

Effectively functioning State institutions are a prerequisite for a modern European State and for progress towards BiH's entry into European and Euro-Atlantic structures. Ensuring that BiH has such institutions remains a key strategic priority for the Council. Many public institutions at all levels, but in particular State institutions, continue to fail the citizens of BiH, due to lack of political will on the part of the ruling political parties and the continued existence of parallel institutions. The Council supports the High Representative's efforts to ensure that State institutions are empowered, efficient and adequately financed through dedicated revenue sources. State institutions need their own independent funding. The Council requests the donor community to funnel its assistance to BiH directly through State institutions. The Presidency and the Parliamentary Assembly must re-establish the Council of Ministers and assure adequate funding for State-level ministries.

We expect State institutions to adopt and implement the State Laws included in the work program for 1999-2000 approved by the Council of Ministers. We welcome the self-committing decision by the Presidency supported by the House of Representatives on the "Program of Measures and Activities for the Implementation of Reforms in BiH". For the implementation of both programs substantial progress on the establishment of a professional civil service is urgently needed.

A democratically accountable police and independent judiciary are prerequisites for the Rule of Law and the full protection of human rights. The Council notes with displeasure the limited progress in judicial reform. Officials have sought to sustain their power bases rather than empowering citizens. The Rule of Law, not the rule of men, must govern citizens' relations with the State.

We call for a truly independent and impartial judiciary that will ensure the Rule of Law in all criminal, civil and commercial matters. In this context the Council considers the strengthening of the Constitutional Court and the establishment of a State court to be major priorities. The Council notes the continued need for an international oversight institution for judicial reform pending OHR's solution of the Judicial Reform programme and supports the continuing efforts of the High Representative to lead the Judicial Reform effort and co-ordinate the efforts of the international community on this issue.

We expect Entity institutions to implement legislation to remove all political influence from the judicial branch and ensure merit based appointments to the judiciary, to establish judicial training institutes and ensure adequate funding, and greater budgetary independence, of the judiciary.

The Council notes its dissatisfaction with the failure of the BiH Parliamentary Assembly to adopt the Law on the Border Service, which had to be brought into force by the High Representative. We expect the Law to be adopted and the State Border Service established in full. The Council requests the authorities in co-ordination with UNMIBH to accelerate deployment of the State Border Service. The Council insists that the authorities complete the police restructuring process with the assistance of the UN IPTF without delay. The Council expresses its appreciation for the work done by UN IPTF.

The Council reaffirms its support for the Annex 6 and 7 institutions of the GFAP and expects the authorities in BiH to provide increased support for these institutions and implement in full their decisions and recommendations. We support the continued operation of these institutions, following the expiry of the transitional period in December 2000. The Council endorses the April 2000 Venice Commission recommendations on the merger of the Human Rights Chamber with the Constitutional Court of BiH in due course. This merger should take place following both BiH ratification of the European Convention on Human Rights and the adoption of BiH legislation on the merger. The Council calls upon the High Representative to co-ordinate implementation of these recommendations with BiH authorities.

Effectively functioning institutions alone are not enough. The citizens and officials of BiH must begin to take ownership of their future. The citizens of BiH themselves must insist on transparency and the accountability of their elected officials. Limited progress has been made in reducing the climate of fear which citizens have felt in their relations with government. Civil society built on an active citizenry lies at the heart of BiH's future as a democratic and prosperous State.

The Council endorses the decision to hold general elections in BiH on 11 November 2000. The Council notes its dissatisfaction with the failure of the BiH authorities to adopt an Election Law. Owing to this failure, these elections will be conducted and supervised by the OSCE. We request the High Representative and the OSCE Head of Mission to ensure that all parties, candidates and officials are in full conformity with provisions of the Peace Agreement and OSCE rules and regulations. No candidate will be permitted to stand for office who is not in full compliance with the GFAP and all OSCE rules and regulations. In this regard, the Council requests OSCE to incorporate the provisions of the draft Election Law, including open lists, multi-member constituencies and preferential voting, in the "provisional rules and regulations" as the basis for the conduct of the general elections. BiH authorities must adopt and implement an Election Law consistent with the standards laid out in previous PIC declarations.

Citizens must be well informed to be active participants in shaping their country. A public service broadcasting sector with strong and viable private competitors will help to ensure the public's right to know and stimulate vigorous public debate and a culture where public opinion

serves as a check and balance on institutions. The regulatory role of an evolving Independent Media Commission under international supervision remains an essential tool to check the continued attempts by political elements to control the broadcast media. The Council deplores any and all attempts to intimidate representatives of the independent media and insists that they be given the ability to operate freely throughout BiH.

BiH now must think about its place in wider European security. If the BiH authorities are to make progress towards their objective of Euro-Atlantic integration, there must be fundamental changes, the current high levels of defence spending cannot be sustained. BiH needs to have armed forces with a unified command and control capable of joint deployment and action under international and regional security organisations. The Council urges BiH authorities to put intelligence services under democratic control and to consolidate them.

We urge the authorities of BiH to develop the Standing Committee on Military Matters (SCMM) into a State defence structure. The SCMM should develop and oversee a common security policy for BiH. It should co-operate with the international community in implementing fundamental force restructuring by both Entities with the aim of creating transparent defence budgets, and sustainable and affordable force structures consistent with the long term security needs of BiH. SFOR, in co-ordination with the international community, will provide advice and guidance on the restructuring of the Entity armed forces. We welcome the commitment of the authorities to further reduce military expenditure by 15% in 2000, to include budget, personnel, equipment and structure. Further steps thereafter should be co-ordinated by the SCMM consistent with regional needs. The Council applauds the recent agreement between Croatia and the Federation to channel reduced military assistance through the SCMM. The Council expects the SCMM and all external donors to ensure transparency of external military assistance to the Entity armed forces. In the framework of providing overall security the Council expresses particular appreciation for the work accomplished by the Multinational Specialised Unit (MSU).

We commend the High Representative for his continued efforts to streamline co-ordination of the international community in BiH and accelerate peace implementation for the good of the citizens of BiH. The Council calls on its members to meet their financial and human resource commitments as agreed.

The State authorities of BiH shall report to the Steering Board every six months on the implementation of the programme set out in this Declaration and Annex. The first report will be made to the Steering Board on 1 October 2000.

We welcome the Parties' affirmation of their commitment fully to implement the programme set out in this Declaration and Annex.

Office of the High Representative
Brussels, 23/24 May 2000

Appendix

Annex to the declaration of the Peace Implementation Council: required actions

The parties are reminded that the provisions of previous PIC declarations and their annexes remain in force and are urged to meet all outstanding obligations without further delay. The Council recalls the EU's Road Map and reminds BiH that the implementation of its steps is a pre-condition for rapprochement to the EU. The Council demands that the authorities of BiH act promptly on these and on the issues enumerated below. The fulfilment of the following points will be reflected in the strategy and programming of the donor community.

Economy

- Complete dismantling of the Payment Bureaux (December 2000).
- A catalogue of trade and investment barriers in BiH shall be drawn up in consultation with OHR and international economic experts, and urgent steps shall be taken to remove these barriers, especially the full adoption and implementation of harmonised foreign direct investment legislation at State and entity level.
- Legislation on political party financing and conflict of interest must be passed by the BiH Parliamentary Assembly and Entity Parliamentary Assemblies (September 2000).
- The following legislation must be adopted by the BiH Parliamentary Assembly: Law on Competition (December 2000), Law on Standardisation, including the creation of a BiH Institute for Standards (December 2000), and Laws on Patents, Trademarks and Copyrights (March 2001).
- The following legislation must be adopted in a harmonised manner by the Entity Parliamentary Assemblies: Law on Land Registry (December 2000), Law on Obligations and Contracts (June 2001), Law on Public Procurement (December 2000), Law on Budget Transparency (December 2000) and Law on Public Corporate Transparency Law (October 2000).
- Revisions to the Labour Law must be passed by the Federation Parliamentary Assembly (December 2000).
- Steps must be taken by all relevant authorities to inaugurate the BiH Road Infrastructure Public Corporation (June 2000), launch a BiH Gas Transportation Public Corporation (October 2000) and establish an Energy Regulatory Agency for BiH (April 2001) and a Broadcasting

Transmission Infrastructure Corporation.

Return issues

- Issuance of all decisions on property claims by the respective authorities and execution of all these decisions in accordance with the deadlines set out in law.

- Immediate allocation by Entities and Cantons of the appropriate resources for alternative accommodation through respective budgets and through use of public owned property.

- The new BiH Ministry for Human Rights and Refugees should urgently be established and staffed; it should be the State-level mechanism for co-ordination with Entity authorities and international organisations on return issues.

Institutions

- The BiH Parliamentary Assembly shall adopt the Election Law without delay.

- Strict and speedy implementation of the Provisional Electoral Commission's new regulation prohibiting elected officials to hold leading positions in public enterprises.

- Reduction of the number of executive positions at the municipal and cantonal levels, in parallel to the necessary reduction in size of the local legislative bodies.

- The following legislation must be adopted by the BiH Parliamentary Assembly: Law on Civil Service, Law on the State Court and Law on Associations and Public Legal Persons; the High Judicial Commission, endowed with effective means to implement the reformed selection, must be established (September 2000).

- Immediate action by Entity governments to develop judicial branches of government free from political and financial interference through the implementation of relevant legislation. It will be monitored and assessed by the international community.

- The necessary actions shall be taken by the Entities to ensure the respect for court decisions and court security. These include full implementation by the Federation of its Law on Judicial Police and passage by the RS National Assembly the draft Law on Court Police in the RS.

- Completion of necessary revision of their respective Criminal Codes and Criminal Procedure Codes by both entities (December 2000).

- Adoption of the draft BiH Ombudsman Law and the draft Federation Ombudsman Law by the respective Parliamentary Assemblies and establishment of the RS Ombudsman institution (September 2000).

- Implementation of decisions of the Human Rights institutions and ensure adequate funding.

- Establishment of the central registry for passports (June 2000) and begin issuance of common passports by BiH Ministry of Civil Affairs and

Communication (MCAC) (September 2000). The MCAC shall establish a unified social security numbering system and ensure adoption of ID card legislation (July 2000), and the Ministries of Interior shall begin issuing common driving licenses and ID cards (November 2000).

Exhumations

- The Council welcomes the improved co-operation between the Entities in joint exhumations and the role played by the High Representative in co-ordinating this process. The Council urges the Entity authorities to give full financial support to this process, as agreed.

Military issues

- Development of Defence Ministers' Working Group by SCMM through the establishment of membership, terms of reference and a work plan (July 2000).

- Provide SCMM with the necessary human and financial resources (October 2000).

- SCMM should concentrate on a clear definition of the mission and desired future configuration of today's Entity Armed Forces. This should be balanced against projected budgets. It SCMM should draw up, on a priority basis, a focused, roadmap for the development of a state defence establishment. In this process, the mission and desired future configuration of today's entity armed forces must be clearly defined and balanced against projected budgets. The implementation of this roadmap must commence in the year 2000 and must encompass a further 15% reduction in entity armed forces which must be completed in 2000.

- The competent BiH authorities, according with GFAP Annex 1B Article II, shall enhance confidence and security measures, including increased exchange of military information and increased evaluation visits and inspections and common military training and education at various levels.

- The competent BiH authorities shall create the necessary conditions to fully meet their obligations under the 1999 Vienna Document.

Public security

- Initial deployment of the State Border Service (June 2000).

- Integration without further delay of the chain of command and communication system of the police throughout the Federation, in particular in Mostar.

- Completion of police registration process through the UNMIBiH effort (December 2000).

Media

- Full support of the transfer agent to RTV BiH and execution of the approved transfer arrangements (Sept 2000), establishment of Federation RTV (August 2000), establishment of PBS (August 2000) and passage of the PBS law (September 2000) and adoption of new RT RS law (September 2000).

- Evolved IMC under IC supervision (December 2000), completion of Phase 2 licensing for all broadcast media (December 2000) and work towards the elimination of anachronistic institutions, such as the Ministries of Information (December 2000).

- Adoption of legislation that supports the public's right to access and impart information, that is, Freedom of Information and Defamation laws (November 2000).

Sport

- Accelerated and full implementation of the conclusions of the common statement (Lausanne, 28 July, 1999) of the conference on sport in BiH chaired by the International Olympic Committee.

Education

- Harmonisation of core curriculum guidelines for elementary and secondary education to be adopted by Entity Parliamentary Assemblies, especially with a view to facilitating the return of refugees and displaced persons (September 2000).

- Establishment by Entity Parliamentary Assemblies of harmonised accreditation systems of Elementary school certificates and Secondary school and University diplomas in BiH (December 2000).

- Establishment by Entity Parliamentary Assemblies of harmonised accreditation systems for teacher certification (September 2000).

- Urgent adoption of the Law on the University of Mostar.

Office of the High Representative
Brussels, 23/24 May 2000